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भारत सरकार/Government of India

पेट्रोलियम और प्राकृतिक गैस मंत्रालय/Ministry of Petroleum and Natural Gas

शास्त्री भवन, नई दिल्ली/

Shastri Bhawan, New Delhi

Dated: 22nd June, 2021

Sub: Draft Petroleum and Natural Gas Regulatory Board (Matters Related to Natural Gas Sector Development) Rules, 2021.

The undersigned is directed to inform that this Ministry intends to notify rules pertaining to development of natural gas sector. Accordingly draft Petroleum and Natural Gas Regulatory Board (Matters Related to Natural Gas Sector Development) Rules, 2021 has been prepared. A copy of the same is attached.

2. In this regard, all the stakeholders are requested to furnish comments, if any, within 30 days of issue of this communication.


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Encl: as above.

DRAFT

TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY PART II- Sec 3(1)

Government of India

(Ministry of Petroleum & Natural Gas)

Notification

New Delhi, Dated:January, 2021

GSR..... Whereas the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006), provides for the protection of interests of consumers and entities engaged in specified activities relating to petroleum, petroleum products, and natural gas and for ensuring an uninterrupted and adequate supply of petroleum, petroleum products, and natural gas in all parts of the country and for promoting competitive markets and for matters connected therewith or incidental thereto;

And whereas, owing to the availability, cost, and environmental reasons, the Central Government has been giving priority to increasing the share of natural gas in the primary energy mix and thereby moving towards a gas-based economy in the country. Accordingly, thrust is being given to expand the gas infrastructure in all parts of the country;

And whereas present regulatory frame work provides for the development and expansion of pipelines between two specified points, and to operate as common carriers and/or contract carriers for transportation of natural gas by more than one entity

And whereas with steps for promoting exploration and production of natural gas under Government's progressive exploration and licensing policies, there is need for permitting development and operation of other categories of pipelines for captive usage by the exploration and production entities with an objective to ensure that the marketing and pricing freedom granted to such entities under the exploration & production policies of the Central Government, do not in any manner conflict with the provisions of the PNGRB Act and the Regulations notified thereunder;

And whereas, it has also been the policy objective of the Government to facilitate non-discriminatory open access for all players to natural gas pipelines on common carrier basis in order to promote competitive gas markets and ensure an adequate supply of natural gas. With the evolvement of inter-connected natural gas pipelines, a need has arisen to have an operator such as a "Transport System Operator" to facilitate and co-ordinate booking of capacity on common carrier basis in all the natural gas pipelines;

And whereas, for the city or local natural gas distribution networks, after the expiry of relevant exclusivity period from the purview of common carrier or contract carrier, need has arisen to enable third-party non-discriminatory open access, to such networks;

And whereas, as provided under Section 11(j) of the PNGRB Act, the Petroleum and Natural Gas Regulatory Board shall perform such other functions as may be entrusted to it by the Central Government to carry out the provisions of the Act;

And whereas, the Central Government has an objective to adorn a larger developmental perspective with imperatives of inter-regional balance, equitable distribution, well-coordinated and speedier development of infrastructure across all parts of the country.

Now, therefore, in the exercise of the powers conferred by Clause (k) of sub-section (2) of Section 60 of the PNGRB Act, the Central Government hereby makes the following Rules on various matters related to sectoral development in the natural gas sector, namely:

1. Short title and commencement: -

1.1. These Rules may be called the Petroleum and Natural Gas Regulatory Board (Matters Related to Natural Gas Sector Development) Rules, 2021.

1.2. They shall come into force on the date of their publication in the Official Gazette.

2. Definitions: -

2.1. In these rules, unless the context otherwise requires, -

(a) "Act" means the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006);

(b) "Access Code" means the code as defined under sub-section (zf) of section 2 of the Act;

(c) "Board" means the Petroleum and Natural Gas Regulatory Board established under sub-section (1) of section 3 of the Act;

(d) "Exploration & Production Entity" or "E&P Entity" means and includes such oil companies who have been either nominated by or have a contract with the Central Government to carry out exploration and production activities in any specified block/field/area to explore and produce crude oil or natural gas in the country;

(e) "High Pressure" means a pressure not exceeding 100 bar, as specified under Rule 3.1 (2) of these Rules in respect of high pressure transmission main Natural Gas Pipelines;

(f) "Medium Pressure" means a pressure not exceeding 19 bar¹, as specified under Rule 3.2 (1)(a) of these Rules in respect of medium pressure distribution grids in City or local natural gas distribution networks;

(g) "Low Pressure" means a pressure not exceeding 07 bar, as specified under Rule 3.2 (1)(b) of these Rules in respect of low pressure distribution in City or local natural gas distribution networks;

¹ Pressure value is as per Clause 5.2.1(b) of OISD-STD-226. However, as per sub-regulation 2(1)(n) and Schedule-1D of PNGRB NGPL T4S Regulations, the pressure range is from 7 bar to 49 bar. Hence, considering the safety aspects it may be deliberated with OISD and PNGRB and a suitable view may be taken.

(h) "Gas Trading" means purchase of natural gas for resale thereof and the expression "Gas Trader" shall be construed accordingly;

(i) "Transport System Operator" or "TSO" means an entity established with the approval of the Central Government for performing such functions as provided under sub-rule 7(2) of these Rules;

(j) "Schedule", means any schedule as may be appended to these Rules from time to time;

2.2. All other words and expressions used in these Rules but not defined under these Rules shall have the same meaning respectively as assigned to them in the PNRGB Act or the regulations notified thereunder.

3. **Category of Pipelines Transporting Natural Gas:**

3.1. **Natural Gas Pipelines:**

(1) These pipelines may be authorized or declared as common carriers or contract carriers by the Board from time to time under the relevant provisions of the Act and Regulations thereunder and these pipelines may fall under the sub-categories of:

- a. Trunk pipelines, whether Inter-state, Intra-state and Regional pipelines;
- b. Spur-lines which branch out from trunk pipelines to supply natural gas to one or more consumers;
- c. Tie-in connectivity pipelines.

(2) Such pipelines shall be designed to operate at High Pressure, that is a maximum operating pressure not exceeding 100 bar for transporting natural gas to one or more customers, including to City or Local Natural Gas Distribution Networks.

3.2. **CGD Network Pipelines:**

(1) These pipelines forming part of a City or Local Natural Gas Distribution Network as defined under sub-section (i) of Section 2 of the Act (hereinafter referred to as CGD Network Pipelines) may fall under the sub-categories of:

- a. Primary network pipelines, also called as medium pressure distribution system, connecting one or more City Gate Station(s) to secondary gas distribution networks or CNG Stations or industrial customers situated

within the authorized Geographical Area (GA). Such Primary network pipelines shall be operating at a Medium Pressure not exceeding 19 bar².

- b. Secondary network pipelines, also called as low-pressure distribution system, for transporting natural gas to tertiary gas distribution networks or industrial customers situated within the authorized GA. Such Secondary network pipelines shall be operating at Low Pressure not exceeding 07 bar.
- c. Tertiary network pipelines, also called as service pressure distribution system, for supplying natural gas to domestic and commercial customers situated within the authorized Geographical Area (GA). Such Tertiary network pipelines shall be operating at service pressure not exceeding 100 mbar.

Provided that, 'sub-transmission pipeline' as defined under relevant regulations by the Board would be a separate category of pipeline connecting a Natural Gas Pipeline to a City Gate Station of a CGD Network.

3.3. **Dedicated Pipelines:**

These pipelines are laid to supply natural gas to a specific customer to meet his own requirement and not for resale.

3.4. **E&P Entity Pipelines:**

These pipelines shall be owned and operated by an E&P Entity for transportation of natural gas by such entity from the outlet point of its gas gathering station or from the outlet point of its gas separation/processing plant to another regulated pipeline (as specified hereinabove in Rule 3.1 and 3.2 above), or to another E&P entity's pipeline, or to one or more industrial consumers of the natural gas produced by such E&P entity.

4. **Natural Gas Pipelines: Open Access and Transportation Tariff**

4.1. **Open Access:**

- (i) Authorized or Declared common carrier capacity in Natural Gas Pipelines shall be available on a non-discriminatory open access basis(hereinafter referred to as "open access capacity"), as defined in the Act and Regulations made thereunder.
- (ii) Such open access capacity shall be contracted by any entity also through the Transport System Operator (TSO).

² Pressure value is as per Clause 5.2.1(b) of OISD-STD-226. However, as per sub-regulation 2(1)(n) and Schedule-1D of PNGRB NGPL T4S Regulations, the pressure range is 7 bar to 49 bar. Hence, considering the safety aspects it may be deliberated with OISD and PNGRB and a suitable view may be taken.

- (iii) For this purpose, the Board shall notify relevant regulations under Pipeline Access Code as per the provisions of the Act.

5. CGD Networks: Open Access and Transportation Tariff

5.1. Open Access:

- (i) The Board shall declare the remaining capacity, as provided under section-21(1) of the Act, in any CGD Network as common carrier or contract carrier immediately upon expiry of the period of exclusivity from the purview of common carrier or contract carrier stipulated for that CGD Network.
- (ii) For this purpose, the Board shall take necessary steps at least 6 months prior to the expiry of such period of exclusivity from the purview of common carrier or contract carrier.

- 5.2. Upon such declaration by the Board, third-party access to CGD network as provided under section 11(e) (iii) of the Act shall be regulated by the Board under the relevant Access Code regulations.

Provided that, third-party access for marketing natural gas to CNG (Transport) and PNG (Domestic) segments in an authorized Geographical Area, shall be allowed only when the Central Government finds it necessary or expedient to do so having regard to factors such as availability of domestic gas for such purpose and overall public interest.

5.3 Transportation Tariff:

- (i) Subject to the provisions of the PNGRB Act, the Board shall determine and lay down transportation tariffs for CGD Networks under the relevant Regulations.
- (ii) For this purpose, the Board shall take necessary steps at least 6 months before the stipulated date of expiry of the period of exclusivity from the purview of common carrier or contract carrier allowed for that CGD Network, so that the laid down transportation tariffs are available for third-party access immediately upon the expiry of such periods of exclusivity.

6. Dedicated Pipelines and E&P Entity Pipelines

- 6.1. No pipeline shall be laid, built or operated as a Dedicated Pipeline except as under:

- (i) Customer is not connected to an existing Natural Gas Pipeline or CGD Network;

- (ii) There is no authorization granted by PNGRB for a Natural Gas Pipeline or a CGD Network which provides for connecting the customer, and
- (iii) The entity authorized to lay, build or operate a Natural Gas Pipeline or a CGD Network has failed to do so within the approved schedule as the case may be.

Provided, dedicated pipelines in existence or under construction at the time of coming into force of these Rules shall be allowed to be operated as dedicated pipelines.

6.2. An E&P Entity Pipeline shall be laid, built or operated subject to all of the following:

- (i) For such pipeline the E&P entity itself shall be the sole supplier of its natural gas
- (ii) For pipelines of which proposed total length is less than or equal to 200 kms;
- (iii) The E&P entity shall not restrict the supply of its natural gas through such pipeline only.

Provided such E&P entity pipelines in existence or under construction at the time of coming into force of these Rules shall be allowed to be operated as E&P entity pipelines.

Explanation: For the purpose of these rules, an E&P Entity Pipeline, being a pipeline for transportation of natural gas by one entity only, do not fall under the purview of a common carrier or contract carrier as specified under section 2(j) and section 2(m) of the Act.

6.3 In case of necessity or expediency, the Board may, on such application being received in respect of the E&P entity pipeline from the owner thereof, subject to the provisions of the Act and regulations framed thereunder, declare the E&P entity pipeline as a common carrier or contract carrier.

Provided that the form and manner of such application shall be as provided by the Board under relevant regulations.

6.4 Notwithstanding anything contained above, all pipelines covered under Rule (3) shall be subject to the rules and regulations including those related to technical and safety standards as may be specified by the competent authorities from time to time in that regard.

7. Transport System Operator (TSO)

7.1 A Transport System Operator (TSO) shall be established, as approved by Central Government, for performing such functions as specified under sub-rule 2 of this rule.

7.2 The TSO so established shall be a body corporate and, for the purpose of these rules, function to facilitation and coordination of booking of common carrier capacity in all natural gas pipelines on a non-discriminatory open access basis. In discharge of its functions mentioned at sub-rule 2 above, the TSO shall:

- a) Frame suitable procedure in this regard which shall be consistent with the provisions of the Act and the Regulations framed thereunder. Such procedure may provide for:
 - (i) Registration of users of TSO services, including Gas Traders, for booking open access capacity through the TSO;
 - (ii) Receipt of necessary pipeline data from all authorized pipeline entities that may be required for providing the TSO services;
 - (iii) Collection and Scheduling of nominations for transportation of gas in open access capacity;
 - (iv) Management of imbalances in open access capacity;
 - (v) All other matters incidental thereto and ancillary therewith in respect of which provision is to be made, by procedure
- b) Set up a Gas Management Control Centre and establish a suitable database management system;
- c) Provide information to Gas Exchange(s) in respect of available common carrier capacity;
- d) Disseminate requisite information as per regulations as may be notified by the Board; and
- e) Any other functions, as may be prescribed by the Central Government, from time to time.

7.3 In discharge of its functions mentioned at sub-rule 2 above, the TSO shall be deemed to be in fiduciary relationship with the users of TSO services.

Explanation: The TSO shall maintain confidentiality of information and data received by it from users of TSO services, including authorized pipeline entities, and shall take reasonable steps to ensure that such information is not transferred in any manner to anyone which may cause preferential access to open access capacity or undue advantage to any entity in marketing of natural gas.

7.4 The TSO may collect charges from the registered users of TSO services for meeting its own expenditure in performing its functions as mentioned above in sub-rule 2 of this rule.

7.5 The functioning of TSO mentioned at sub-rule 2 above shall be subject to audit, including performance audits, from time to time.

7.6 The TSO entity shall not engage in the activity of marketing and sale of natural gas.

- 7.7 Notwithstanding anything contained in sub-rule 2 of these Rules, and subject to the provisions of Act and Regulations framed thereunder, the TSO may also own and operate pipelines covered under these Rules.
8. **Matters pertaining to Developmental Roles of PNGRB:**
- 8.1. The Board will clearly segregate its developmental roles from regulatory functions. The developmental role includes facilitating setting up of pipelines and distribution networks.
- 8.2. Administrative structure below Board level for developmental functions would be kept separate from regulatory functions,
- 8.3. PNGRB will develop monitoring mechanism for ensuring setting up infrastructure i.e. pipelines and distribution networks (CGD). Regular reports will be sent to Government regarding developmental functions from time to time and will be reviewed at the Government level.
9. **Marketing and Sale of LNG**
- 9.1 While framing technical and safety standards, PNGRB will keep in view regulations issued by PESO.
- 9.2 Oil Industry Safety Directorate will be the authorized organization for conduct of inspection to the safety standards.
